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## Austria

### Solid Wood Products

### Annual Report

### 2004

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**Report Highlights:**

Despite the difficult economic framework conditions, 2003 was another successful year for the Austrian lumber industry. Production increased and amounted to 1.9 billion Euros (+ 3 %). The production of lumber increased to 10.5 million cubm, of which 10.3 million cubm were coniferous lumber. Exports are expected to rise again after the record year of 2003. Almost 3.7 million cubm of sawn softwood were exported over the first six months. This means an increase of 7 % over the reference period of the preceding year. The export boom is due to the increased demand in Italy. The U.S. market is playing an important role for Austrian lumber exporting companies. Austria's deliveries to the USA rose by 90 % in the first half of 2004.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
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## A. Forest Situation/Outlook

### Forest Inventory

Since 1961, the Federal Forestry Research Institute periodically carries out inventory surveys, which include forest area, standing timber, growth, forest conditions, biodiversity, and other ecological and economic criteria. The last inventory was carried out for the period of 2000 to 2002; most figures indicated below are based on this survey.

### Area and Ecology

Austrian forest area is 3.96 million hectares (ha) which is 47.2 % of total area. This means that Austria has the second largest percentage of forest in the European Union. Of the total forest area, 75.7% is commercially usable high forest and 2.4% commercially usable sprouting forest. The share of protected forest (forest in endangered areas, e.g. erosion) is 19.3% of which 40% can be used commercially in a limited way. The remaining 60% of protected forests cannot be used due to marginal growth or steep slopes. The forest area taken out of production (forest roads, ski runs, natural parks etc.) is 2.6%. The total commercially usable forest area is about 83%.

Forests are not evenly spread out over the country. Styria, in the southeast, has 60%, whereas Burgenland in the east of Austria has only 32% area covered by forests.

Since most of the country is mountainous, the share of coniferous trees is very high (69.2%). At higher altitudes, conifers are predominant. However, in the past, the number of coniferous trees at lower altitudes particularly European spruce and silver fir - was quite high because of their profitability. In many cases, the ecological tolerance of the locations was surpassed which resulted in increased occurrence of pests and increased snow damage and wind damage. To reduce the ecological disadvantages, an important target of Austria's forest policy has been the rebuilding of natural stands. In general, only reforestation/afforestation with a certain minimum share of deciduous trees is supported. (As European spruce is the most economically valuable tree, forest owners tended to create spruce monocultures.) As a consequence, the share of deciduous trees is rising.

Due to the climatic conditions and mainly mountainous geography, coniferous forests (66.8%) prevail followed by mixed (22%) and deciduous forests (14%). European spruce (60.9%) is the main tree, while the share of other coniferous trees such as silver fir (2.3%), European larch (3.9%), Scotch pine (5.4%), and others (0.1%) is small. Broad leaved trees account for 22.3% (9.5% beech, 2.1 % oak, 8.9% other hardwood and 6.8 3% softwood) of forest area.

#### Comment to "Strategic Indicator Tables"

As in the "Strategic Indicator Tables" no mixed forest (temperate hardwood and softwood) are included, half of the mixed forest area is added to the temperate hardwood and half to the softwood area.

In general, the age classes of the commercially used forests are fairly balanced. In Government forests, old stands are somewhat predominant whereas in the small farmer forests, stands up to 40 years prevail. The latter is the result of reforestation of clear cuts carried out during the war and afforestation of agricultural land.

According to a study about naturalness of Austrian forests, 3% of the total forest area are natural forests (natural composition of stands, bushes, and grass: no anthropogenic impact detectable), 22% natural, 41% moderately altered, 27% significantly altered, and 7% artificial (trees not typical to the area, however, not plantations).

### **Standing Timber**

Total standing timber increases on an average by 5,100 ha per year. High demand for softwood lumber in domestic and foreign markets caused an increase in production and sales in 2002 and 2003.

U.S. export opportunities are in general limited to small quantities of hardwood lumber and special softwood lumber made from slow-growing pine. In addition, small quantities of U.S. veneers should find a market in Austria.

Comment to the "Strategic Indicator Tables"

As the volume of standing timber and annual growth of non-usable forests - mainly protection forests - is only of theoretical significance, these figures are not included in the surveys. Evaluation of non-usable forests is difficult as trees are frequently spars and stunted due to high altitudes. Thus, the "total volume of standing timber" in the strategic indicator table is a rough estimate.

### **Felling and Reforestation**

The Austrian forest law covers all forests, private and public. Generally, no clear cutting on an area larger than 2 ha is permitted, and for the clearing of areas larger than 0.5 ha an approval by regional authorities is required. Exceptions for clear cuts larger than 2 ha are granted by the Ministry of Agriculture only if the timber stand is seriously endangered by pests.

The prevailing harvesting systems (more than 50% of the total wood harvest) account for regeneration felling, removing because of disasters, and clear cuts under 500 square meters. Clear cuts above 500 square meter (but in general below 2 ha) account for 28%. The share of thinning cuts is around 16% (0.9 cubm/ha).

According to the forestry law, reforestation is compulsory (all forest area must remain forest area). Natural regeneration is preferred but if it cannot be expected within 8 years due to various reasons, the owner has to carry out reforestation within 3 years.

### **Tree Damage**

The stock growth would be even higher if the number of large game animals were reduced. (Austria's strong hunter lobby is against it.) Most of the damage is caused by these animals eating the shoots of young trees, particularly silver fir and beech. About 85% of the forest area with natural regeneration is inhabited by game. In addition, enormous damage is caused by bark peeling on young and mid-aged stands. These bark wounds allow the penetration of fungi, which weakens the trees and reduces the quality of the harvested logs.

Similar damage is caused by log transport. About 13% of the standing timber is damaged by harvesting methods. For this reason, the Agricultural Ministry wants to improve harvesting methods.

In November 2002 heavy storms broke about 3 million cubm timber, 3000 ha were destroyed. The total value of the damage amounted to 70 million Euro. Due to the high supply caused by the storm prices for all categories of wood went down in 2003.

### **Infrastructure**

The well developed infrastructure in Austria's forests provides for easy access and thus for economic log transportation and forest care. Usable forest is made accessible by 108,000 km of forest roads, of which more than 50% are in small forest enterprises (below 200 ha). In addition to forest roads, 42,300 km of public roads - which in general can also be used for wood transportation - are going through forests. A well planned network of 147,000 km of simple paths are used for log moving by tractors and sometimes horses.

### **Forest Ownership**

Around 53.7% of the Austrian forest area is composed of small properties of less than 200 ha. Only 31.13% of private forests are above 200 ha. Federal forests account for 14.9%

### **Forestry in the Overall Economy**

The forest and wood industry was steadily growing up to a total gross value of 5.99 billion Euro in 2003. In 2003, wood prices drifted down by 5.6 % on an average because of the large availability of damaged wood due to the storms and pests. Forestry accounts for slightly more than on sixth of total agricultural and forestry production and thus constitutes an important income source for many farmers, particularly mountain farmers. Forestry contributes around 0.3 % to GDP.

### **Forestry Support**

In 2000, forestry support is phased out by the Austrian Program to the EU regulation EUVO 1257/99 "Rural Renewal" - chapter forestry. This EU support program is in effect till 2006. Through this regulation co-financing by Brussels was greatly enlarged. The forestry support budget in 2004 amounted to 11.43 Million Euro. The forestry budget proposal for 2005 is expected to be the same as the previous year.

### **Forest Conditions**

According to the results of the annual forest survey, the condition of Austrian forests got slightly better in 2002 compared to 2001 but was still worse than 2000. Only 60.2 % showed no reduced crown density. This result is as bad and unsatisfactory as it was in the early 90s.

### **Pan European Forest Certification (PEFC)**

Since February 2002, the total Austrian forest area consisting of 9 regions is PEFC certified. PEFC Austria is an initiative of representatives of the forest industry, forest trade and environmental organizations. Forest products with the PEFC logo will indicate that the product comes from sustainable managed forests according to the requirements of "PEFC Europe" which have been adapted to the small-scaled Austrian forestry.

**FOREST AREA****Country: Austria****Report Year: 2003**

	<b>Previous Calendar</b>	<b>Current Calendar</b>	<b>Following Calendar</b>
Total Land Area (million hectares)	8	8	8
Total Forest Area (million hectares)	4	4	4
--of which, Commercial ('000 hectares)	3	3	3
----of commercial, tropical hardwood ('000	0	0	0
----of commercial, temperate hardwood ('000	1	1	1
----of commercial, softwood ('000 hectares)	2	2	2
Forest Type			
--of which, virgin ('000 hectares)	0	0	0
--of which, plantation ('000 hectares)	0	0	0
--of which, other commercial (regrowth) ('000	0	0	0
Total Volume of Standing Timber (thousand	1,300,000	1,300,000	1,300,000
--of which, Commercial Timber ('000 cum)	998	998	998
Annual Timber Removal ('000 cum) 1/	19,500	19,500	19,500
Annual Timber Growth Rate ('000 cum)	27,300	27,300	27,300
Annual Allowable Cut ('000 cum)	N/A	N/A	N/A

**B. Solid Wood Products Situation/Outlook****Roundwood PS&D Table – Softwood Logs**

<b>PSD Table</b>							
<b>Country</b>	<b>Austria</b>						
<b>Commodity</b>	<b>Softwood Logs</b>			1000 CUBIC METERS			
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official	Estimate [A]	USDA Official	Estimate [A]	USDA Official	Estimate [New]	
<b>Market Year Begin</b>		01/2003		01/2004		01/2005	MM/YYYY
Production	7850	7850	7850	7850	0	7850	1000 CUBIC METERS
Imports	6400	6472	6400	6650	0	6650	1000 CUBIC METERS
TOTAL SUPPLY	14250	14322	14250	14500	0	14500	1000 CUBIC METERS
Exports	550	611	550	800	0	800	1000 CUBIC METERS
Domestic Consumption	13700	13711	13700	13700	0	13700	1000 CUBIC METERS
TOTAL DISTRIBUTION	14250	14322	14250	14500	0	14500	1000 CUBIC METERS

**Forest Enterprises**

The Austrian forestry sector is made up of mostly small land holders. Of the total 171,500, 99.2% have a size less than 200 ha with an average of 9.2 ha. 80 % of the total forests are owned by private owners, 15 % by the public and 5 % by the Austrian Bundesforste AG, which is a state agency.

More than 50 % of the annual wood harvest comes from enterprises smaller than 200 ha. Most of it is produced by family members of small farmers, owning in addition to agricultural land 2 - 20 ha forests. Due to low levels of mechanization, harvesting costs are around 40 % higher than for large enterprises.

## Log Prices

After the significant decline in log prices due to the large availability of damaged wood caused by storm in the first half of 2000, prices for logs in 2001 were relatively stable and went up slightly in the second half of 2002. Due to storm damage again log prices fell down again and stabilized in 2004. The average price for the main log types European spruce/white fir amounted to 68.61 Euro/cubm in 2001. This was 0.8 % less than the previous year.

## Felling rate

In 2003 the felling rate reached with 17.06 million cubm (+ 15 % more than in 2002) the highest value since ever. This is due to the high amount of damaged wood in Austria caused by the caused by storms and pests, which is estimated to 8.2 million cubm (46.5 % of the annual felling rate).

As in previous years, around 85 % will be soft and 15 % hardwood.

## Softwood Lumber PS&D Table

<b>PSD Table</b>							
<b>Country</b>	<b>Austria</b>						
<b>Commodity</b>	<b>Softwood Lumber</b>						
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official	Estimate [New]	DA Official	Estimate [New]	DA Official	Estimate [New]	
<b>Market Year Begin</b>		01/2003		01/2004		01/2005	MM/YYYY
Production	10125	10524	10125	10625	0	10625	1000 CUBIC METERS
Imports	1250	1466	1250	1500	0	1500	1000 CUBIC METERS
TOTAL SUPPLY	11375	11990	11375	12125	0	12125	1000 CUBIC METERS
Exports	6250	6865	6250	7000	0	7000	1000 CUBIC METERS
Domestic Consumption	5125	5125	5125	5125	0	5125	1000 CUBIC METERS
TOTAL DISTRIBUTION	11375	11990	11375	12125	0	12125	1000 CUBIC METERS

## Sawmills

In the Austrian sawmill sector, significant changes are taking place. Sharp competition reduced the number of sawmills from 5,100 in 1950 to 1,400 in 2003. However the structural cleansing is still taking place. While the number of sawmills declined, milling capacities of remaining companies were significantly expanded.

At present, there are 1,400 sawmills occupying 10,000 employees. The majority of the companies are small and have only 10 employees.

Until five years ago, all sawmills were in Austrian hands. Some of the larger mills even own daughter firms in Germany and central European countries. Austrian largest sawmill, Binder e.g. has an annual turnover of 220 Mio Euro.

## Production and consumption

Despite the difficult economic framework conditions, 2003 was another successful year for the Austrian lumber industry. Production increased and amounted to 1.9 billion Euros (+ 3 %). The production of lumber increased to 10.5 million cubm, of which 10.3 million cubm were coniferous lumber. Declining demand for construction wood in the western industrial countries in 2003 had a negative effect on the lumber market. Contrary to that the European lumber exporters profited by the high U.S. \$ exchange rate, which supported export prices.

## Prices

At the beginning of 2002 a price decline from 192 Euro to 195 Euro could be observed. The end of 2002 and the year 2003 brought fairly stable lumber prices. As the demand for softwood lumber is still high and the supply will slightly go down, prices are expected to rise.

Due to the stagnating construction sector in Europe but the high expectations to the export markets Japan and U.S. the lumber consumption should increase slightly. The large exports of Scandinavian producers and of the new large sawmills in Germany will result in heavy price pressure.

## Trade

### A. Overview/Outlook

#### Softwood Logs Import Trade Matrix

<b>Import Trade Matrix</b>			
<b>Country</b>	Austria		
<b>Commodity</b>	Softwood Logs		
Time Period	2002	Units:	2003
Imports for:		m3	1
U.S.	0	U.S.	0
Others		Others	
Germany	2826418	Germany	2617779
Czech Republic	1484152	Czech Republic	2294756
Poland	296532	Poland	444284
Slovakia	257184	Slovakia	298497
Hungary	274131	Hungary	267899
Switzerland	477043	Switzerland	243303
Ukraine	241666	Ukraine	154105
Total for Others	5857126		6320623
Others not Listed	269312		151019
Grand Total	6126438		6471642

## Softwood Logs Export Trade Matrix

<b>Export Trade Matrix</b>			
<b>Country</b>	Austria		
<b>Commodity</b>	Softwood Logs		
Time Period	2002	Units:	2003
Exports for:		m3	1
U.S.	0	U.S.	
Others		Others	
Italy	497498	Italy	531181
Slovenia	46717	Slovenia	32440
Greece	19922	Greece	25319
Germany	9298	Germany	14311
Switzerland	1509	Switzerland	2449
United Kingdom	0	United Kingdom	2193
Ireland	280	Ireland	699
Czech Republic	7663	Czech Republic	366
Netherlands	522	Netherlands	331
Total for Others	583409		609289
Others not Listed	1821		2192
Grand Total	585230		611481

## Softwood Lumber Import Trade Matrix

<b>Import Trade Matrix</b>			
<b>Country</b>	Austria		
<b>Commodity</b>	Softwood Lumber		
Time Period	2002	Units:	2003
Imports for:		m3	1
U.S.	202	U.S.	109
Others		Others	
Czech Republic	550017	Czech Republic	529124
Germany	318292	Germany	366652
Russia	85109	Russia	180046
Slovakia	74099	Slovakia	83913
Finland	65772	Finland	67406
Ukraine	46070	Ukraine	54121
Romania	32557	Romania	46754
Poland	28727	Poland	40993
Belarus	16727	Belarus	22856
Hungary	37297	Hungary	19782
Total for Others	1254667		1411647
Others not Listed	60316		54608
Grand Total	1315185		1466364

## Softwood Lumber Export Trade Matrix

<b>Export Trade Matrix</b>			
<b>Country</b>	Austria		
<b>Commodity</b>	Softwood Lumber		
Time Period	2002	Units:	2003
Exports for:		m3	1
U.S.	332548	U.S.	353457
Others		Others	
Italy	4230903	Italy	4561413
Germany	437085	Germany	511165
Japan	509222	Japan	486664
Slovenia	309910	Slovenia	230278
Saudi Arabia	88160	Saudi Arabia	122833
Switzerland	91668	Switzerland	89107
Croatia	198788	Croatia	84854
Algeria	48911	Algeria	67548
Canada	18690	Canada	57688
Greece	21390	Greece	38365
Total for Others	5954727		6249915
Others not Listed	178534		261432
Grand Total	6465809		6864804

In 2003, the exports of softwood lumber reached a record volume of 6.8 million cubic meters and were higher than in the high export year 2002 (6.5 million cubm). Also the export value in 2003 stayed at a high level (1,251 million Euro) compared to 2000 (1,014 million Euro). The exports to Italy, the main export market, rose to 4.6 million cubm in 2003 (2002: 4.2 million cubm). Deliveries to Germany, the second ranked market, also increased by 74,080 cubm in 2003 up to 511,165 cubm, followed by the Japanese market with 486,664 cubm in 2003 (- 4.4 %). Softwood lumber exports to the United States have been at their highest level in 2003. In 2001, exports to United States reached 353,457 cubm (+ 6.3 %). High penalty tariffs on Canadian wood products strengthened the market for European exports to the United States.

Exports are expected to rise again after the record year of 2003. Almost 3.7 million cubm of sawn softwood were exported over the first six months. This means an increase of 7 % over the reference period of the preceding year. The export boom is due to increased exports to Italy. Assortments of low quality are however under a downward pressure on prices.

The U.S. market developed in a dynamic way in the first six months of the year 2004, which is of high significance as the U.S. market is playing an important role for exporting companies. Austria's deliveries to the USA raised by 90%, reaching 242.000 cubm of lumber, compared to the period of 01-06/2004 and are thus developing a record speed. In the USA construction of private homes is at a peak, which means that the quantities of lumber remain at a high level.

Total imports of softwood logs and softwood lumbers increased in 2003 (softwood logs: + 5.6 %, softwood lumbers: + 11.5 %) compared to 2002. Main import countries for softwood logs are Germany (2.6 million cubm in 2003), Czech Republic (2.3 million cubm). Czech Republic (0.5 million cubm in 2003) and Germany (0.4 million cubm) are also the most important import countries for softwood lumber.

Imports of softwood logs and lumber are expected to increase slightly in the next year.

## C. Competition

The Austrian wood promotion organization "Pro Holz" promotes Austrian forest products on the domestic market and abroad in cooperation with the economic chamber. There are no forest product promotions carried out by other countries in Austria.

### Market Development Strategies

For normal softwood lumber, the United States probably cannot compete with European countries, which have the advantage of cheaper freight costs. Although Austria is the world's fourth largest softwood lumber exporter, relatively large quantities are imported. Main suppliers are Germany and the Czech Republic. U.S. exports are probably limited to specialty items like lumber made from pine from slow growing regions intended for window and door frames. Such lumber and shingles are also imported from Canada. The quantity of hardwood lumber coming from the U.S. is much larger (747,7687 cubm in 2003) than that of softwood lumber (109 cubm in 2003).

Occasionally, small quantities of hardwood logs and special softwood logs are imported from the United States. Promotion of these products would not increase imports significantly.

In general, the United States face heavy competition in the Austrian forest product market. Domestic production of wood products is large and of high quality. Other high quality products from other EU countries can enter the country without import duty. Neighboring Central European countries can supply a large assortment of forest products at lower prices. The main chances for U.S. exporters are in sectors which Europeans cannot supply, such as dense woods or products made from them.

### Average exchange rate

\$1 = Euro 0.88 in 2003